

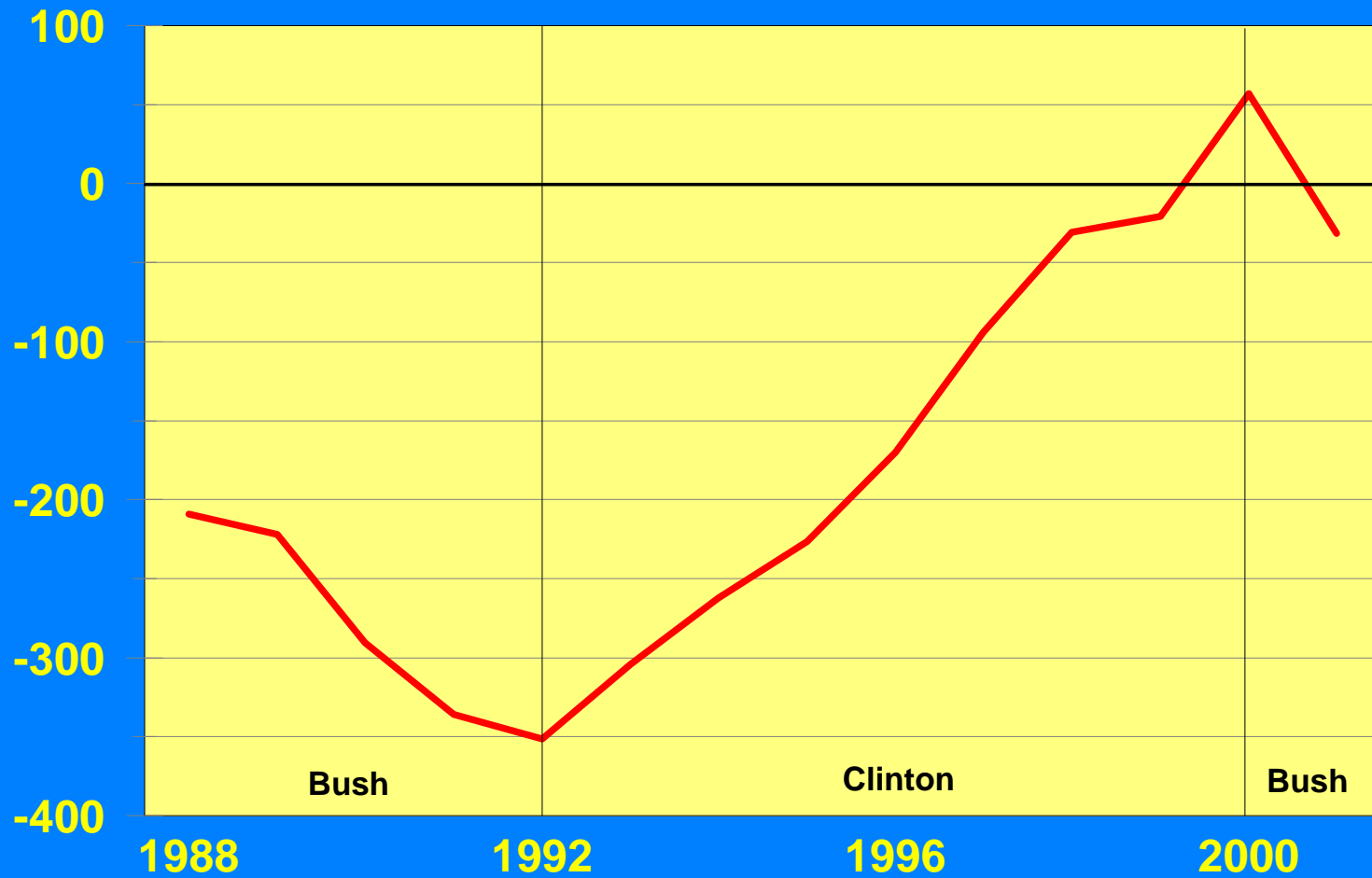
Office of Management and Budget FY 2002 Mid-Session Review

**House Budget Committee
Democratic Staff**

August 2001

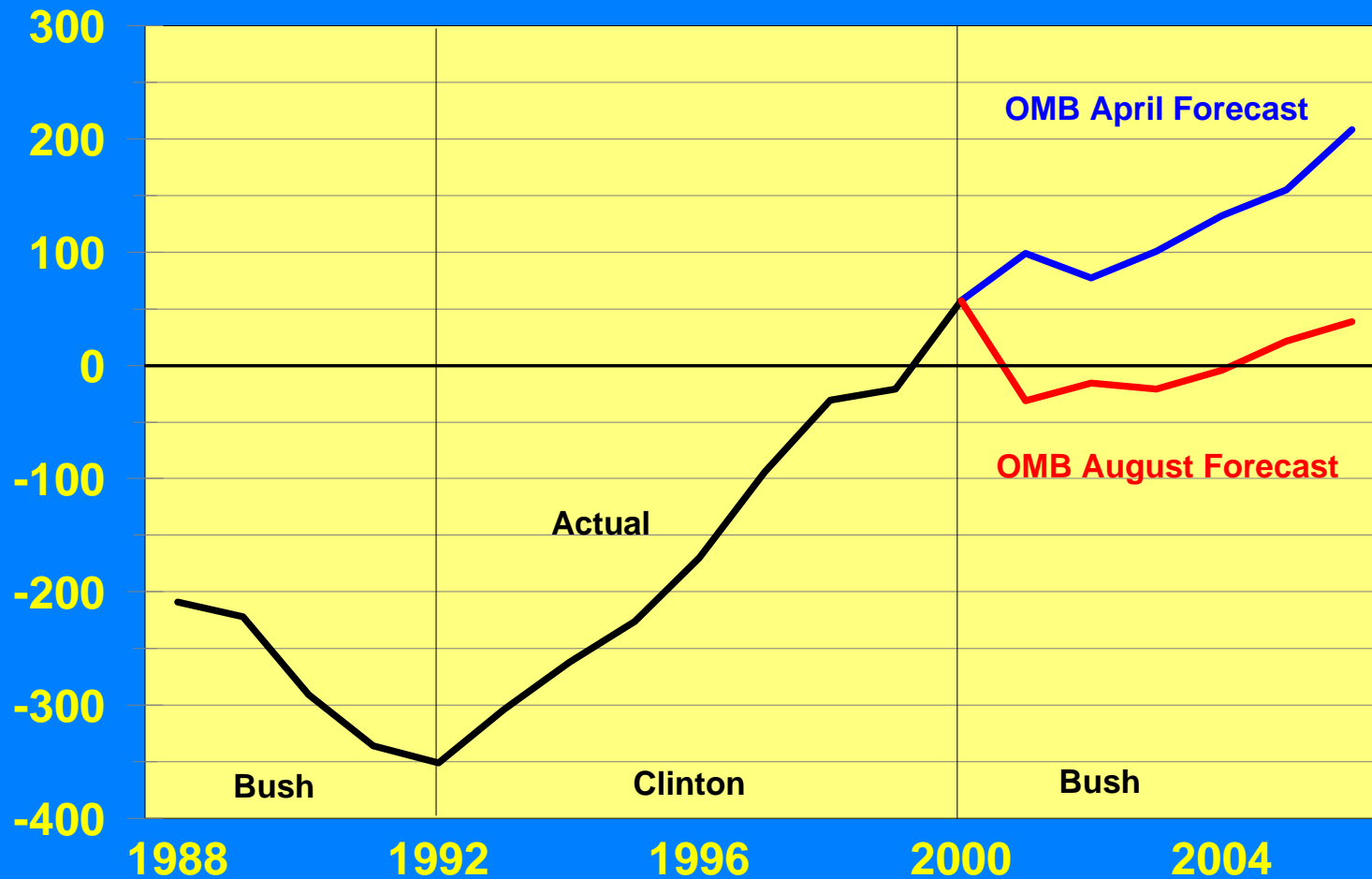
Available Surplus (+) or Deficit (-)

Billions of Dollars



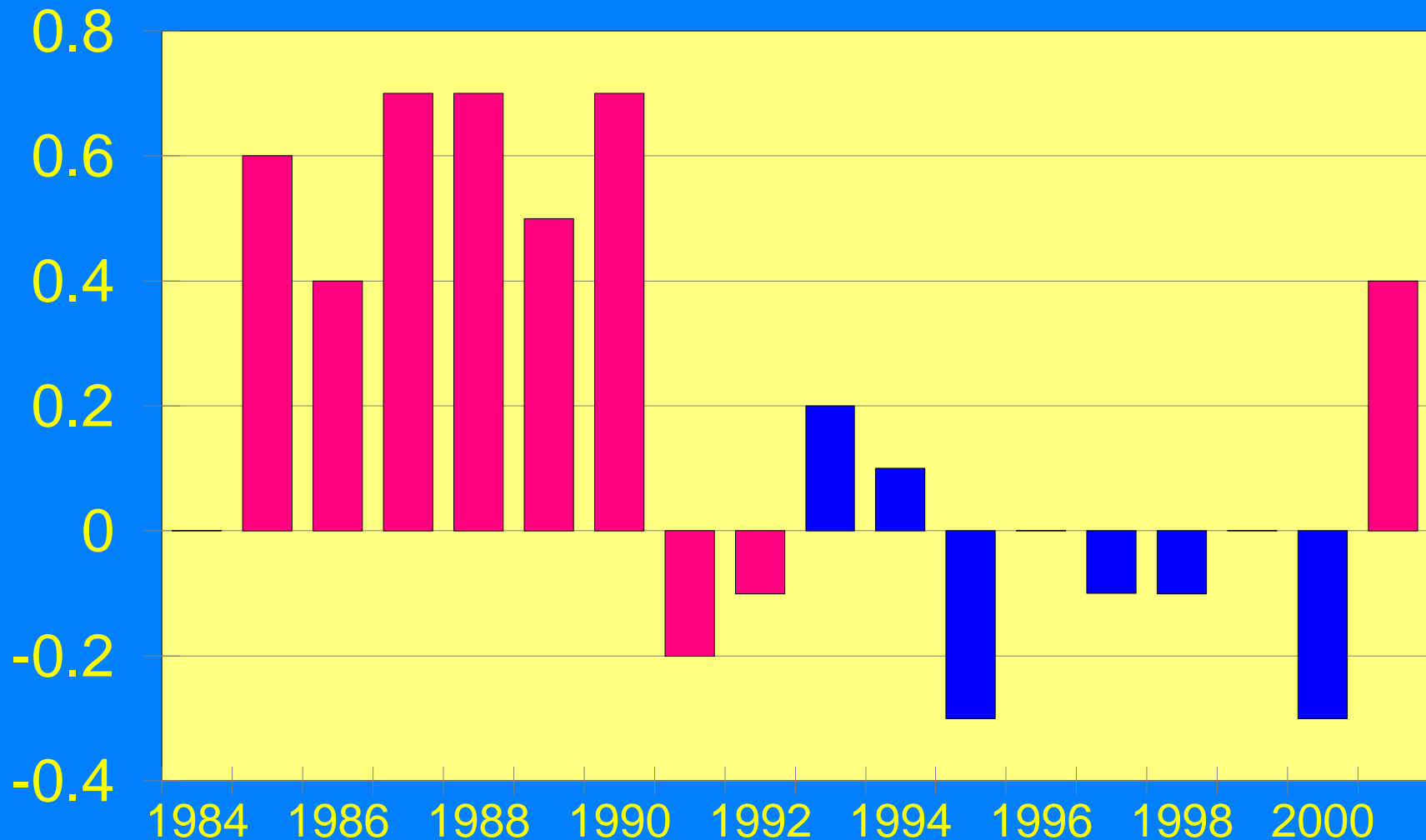
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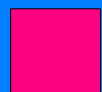


Republican Rosy Scenarios Return

1-Yr Real GDP Growth Forecast, Percent



OMB Above(+)/Below(-) Blue Chip



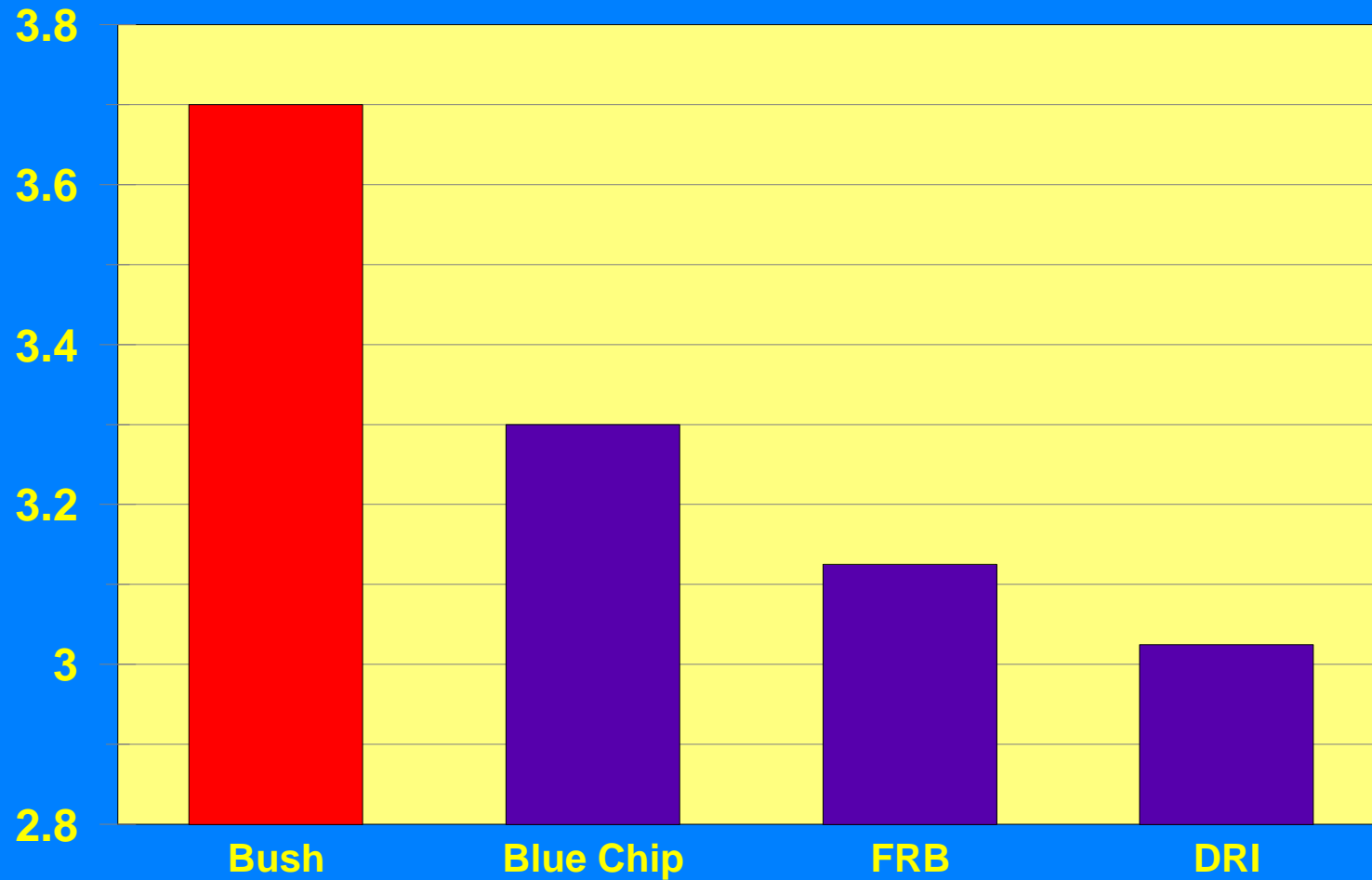
Republican Administration



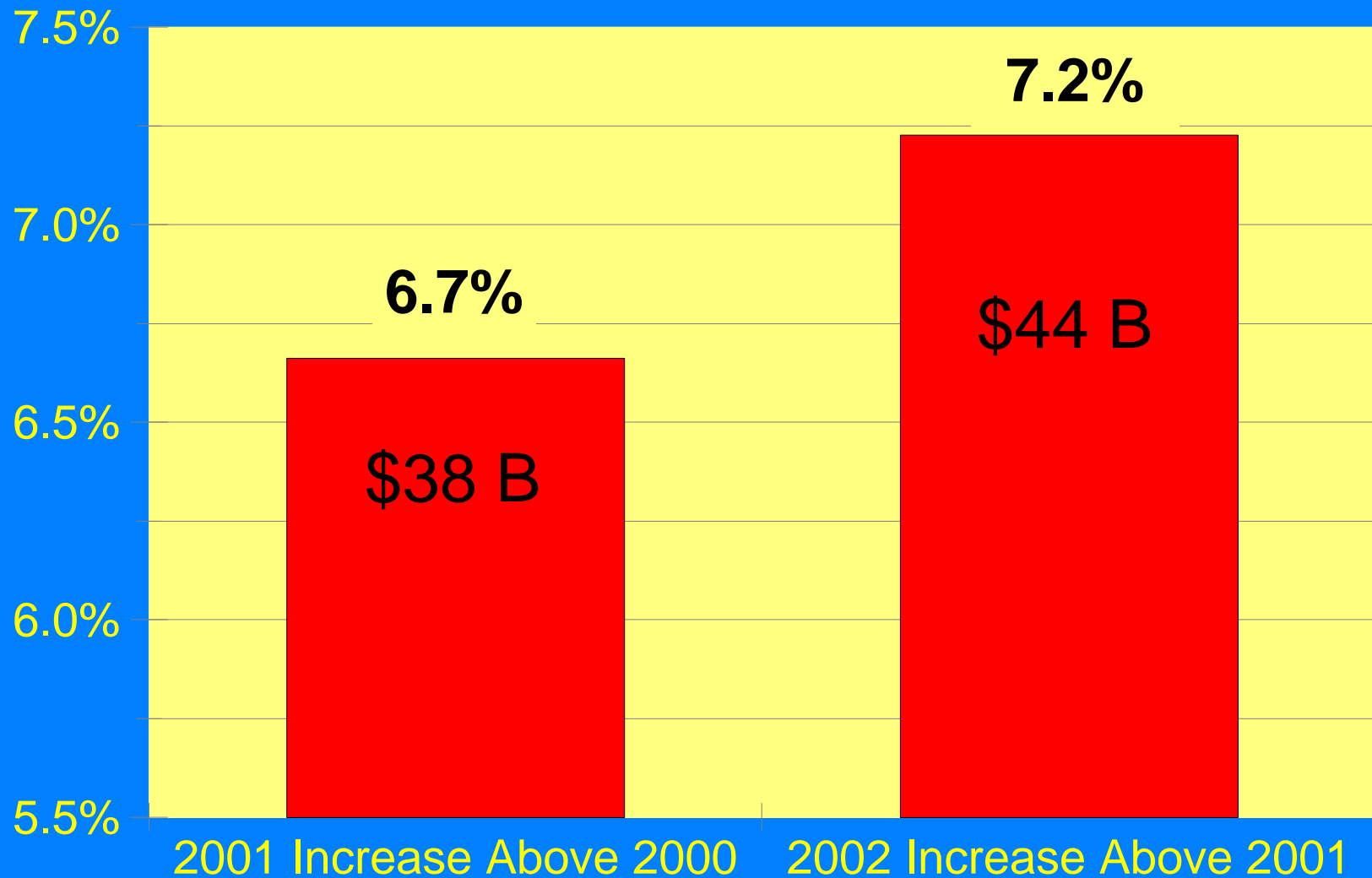
Democratic Administration

Bush vs Mainstream Economists

Real GDP Growth, 4th Q '01 - 4th Q '02



The Bush Budget Spends More: 2001 vs. 2002 Appropriations



Note: For consistency, advance appropriations and 2001 supplementals are excluded.

Republicans Pile Gimmick Upon Gimmick

Republicans:

- 1. claim Medicare surplus doesn't exist so they can spend it.**
- 2. hold back the President's defense buildup request.**
- 3. delay \$33 billion of corporate tax payments by two weeks to make 2002 look better.**
- 4. sunset all tax cuts at end of 2010 to hide the true cost.**
- 5. use accounting gimmick with Social Security receipts to make 2001 look better.**
- 6. use rosy economic assumptions.**

Broken Republican Promises to Save Medicare and Social Security Surpluses

- **President George W. Bush** — “Every dollar of Social Security and Medicare tax revenue will be reserved for Social Security and Medicare.”
(February 24, 2001; Radio Address to the Nation)
- **House Speaker Dennis Hastert** — “We are going to wall off Social Security trust funds and Medicare trust funds...And consequently, we pay down the public debt when we do that. So we are going to continue to do that. That’s in the parameters of our budget and we are not going to dip into that at all.” (March 2, 2001; *BNA Tax Reporter*)
- **House Majority Leader Richard Armey** — “We must understand that it is inviolate to intrude against either Social Security or Medicare and if that means forgoing or, as it were, paying for tax cuts, then we ’ll do that.”
(July 11, 2001; *BNA Tax Reporter*)
- **Votes by House Republicans** — House Republicans have voted almost unanimously seven times since 1999 to establish lockboxes to protect both the Social Security and Medicare surpluses. They even voted to prohibit the government from displaying the budget surplus using Social Security Trust Fund money.
- **Votes by Senate Republicans** — Senate Republicans have voted almost unanimously twice over the past two years to establish lockboxes protecting the Social Security and Medicare surpluses.

THE PROBLEM IS THE TAX CUT, NOT THE ECONOMY

(OMB Assumptions)

	2001	2002	2002-2011
April Baseline Unified Surplus	284	283	5,637
April Social Security Surplus	156	172	2,591
April Medicare Surplus	29	34	525
April Available Surplus	99	77	2,520
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Enacted Tax Cut (Including Debt Service)	42	66	1,694
Economic & Technical Reestimates	46	44	46
Corporate Tax Timing Shift	28	-28	-28
Social Security Gimmick	-6	0	0
Further Tax Cuts, Spending, & Interest	19	28	771
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August Available Surplus	-31	-33	38

SENATOR SCHUMER: Right, so the tax cut did have a negative effect on [long-term interest rates]?

FED CHAIRMAN GREENSPAN: Oh yes, no question.

***Senate Banking Committee
July 24, 2001***